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Budget and Tariff Compared

BY
THE COBDEN CLUB



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PREFACE

THE Revolution which the Lords have invoked affects the interests of every man, every woman, every household in the United Kingdom. If the Lords carry the day, supreme power in the State will be transferred from the Representatives of the People to an isolated and privileged body who only represent themselves. It is impossible to suppose that a democracy, such as that under which we live, will permit such a transfer, or will tolerate its continuance, if by chance the powerful interests opposed to the people should carry the day in January.

This is the first and main issue before the Nation.

The other issue, second only in gravity to the usurpation of supreme power by the Peers, is that of taxation.

The immense and growing expenditure of the State strains, and will strain further, the resources of the people, but the Nation approves it, and the Nation will have to make the sacrifice which it entails. The question is this: Shall the rich out of their superfluity contribute equitably to the expenditure, or shall taxation fall mainly on the food of the poor?

There are two Budgets before the Nation—that of the Government, with its demand on the rich, and that of the

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Opposition, with its burthen on the poor. It is in the interest of the latter that the Lords are imperilling their power, their privilege, it may be their existence.

Everybody who reads this pamphlet, written by Lord Eversley, and revised and approved by the Committee of the Cobden Club, will understand the meaning of these two Budgets, and the contrast between their effects. It compares them in detail. It follows the Chamberlain campaign from its doleful outset and its empty promises to its full development in the adoption of Protection and food taxes by the Conservative party. It shows, too, briefly and intelligibly, how lightly the Government proposals fall on individuals of the working classes, of the middle classes, and on the well-to-do with moderate incomes. It shows also how those proposals affect in detail the richer classes. The few minutes which the reader devotes to the pamphlet will enable him to understand the true incidence of the proposed taxation, and discount the exaggerations by which the Conservatives seek to dismay or lead astray the ignorant.

WELBY.

BUDGET *versus* TARIFF

I.—THE BUDGET OF THE GOVERNMENT.

Two Budgets are virtually before the country at the present time, and will be decided on at the coming General Election : that of the Government, approved by the representatives of the people in the House of Commons, but rejected by the House of Lords; and that of the so-called Tariff Reform League, which the Peers will hug to their bosoms if the electors will give them the opportunity. The one is the poor man's and a Free Trade Budget, the other the rich man's and a Protectionist one. We propose in these pages to compare the incidence of these rival schemes on the various classes of the community.

It is not necessary to give a full description of the details of the Government Budget. It has been the subject of discussion in the House of Commons prolonged over many months. It will provide for an increased revenue of 13 millions in the current year and 19 millions in the next year. These great increases are rendered necessary in great part by Old-Age Pensions, in part by the deplorable increase of naval armaments, which all parties are agreed upon.

The scheme proposes a contribution from all classes, but in such a manner that the burden will be least on the labouring classes and those with small salaries or incomes from trades or professions, and will fall in a higher

degree on the wealthier classes by an ascending scale in proportion to their incomes and realised wealth.

No increase of duty is proposed on such articles of consumption by the labouring classes as sugar and tea, still less on bread and meat. We think that the Government have acted most wisely in not adding to the burdens of the people in this direction.

An increase of the duties on tobacco and spirits will fall on all classes in proportion to their consumption of these luxuries. A very large proportion of these will be paid by the working classes. The increase of the income tax by 2d. in the £ will be imposed on those whose earned incomes are more than £3,000 a year and those whose incomes from investments are more than £160 a year. A super-tax of 6d. in the £ will be payable on incomes above £5,000 a year after deducting £3,000 a year. An increase of 1 per cent. is proposed to the death duties on estates of over £5,000, with an ascending scale for very large estates.

It is also proposed to open up new sources of revenue by claiming, on behalf of the State and of local authorities, a small share, in the future, of the growing value of land, in and near to towns, due not to efforts or expenditure of the owners, but to the growth of the surrounding community—a most just and reasonable project, against which a false and ridiculous charge of Socialism has been made. The first suggestion of such a tax was made fifty years ago by the late Mr. J. S. Mill, who of all great political economists of modern times least favoured Socialism.

By equalising the duties on licensed houses it is proposed to secure a larger share in the monopoly value of the more valuable houses, which has been created by the State, and which has hitherto escaped from its fair contribution.

A scheme of this wide and far-reaching character,

involving, in the case of increments of land values, a new principle of taxation, could not fail to arouse vehement opposition, especially from the very wealthy, on whom the super-tax and the death duties will fall, the owners of town properties not yet built, and the brewers, who, with rare exceptions in England, are the owners of all licensed houses.

It is probable, however, that the House of Lords would not have been induced to adopt the unprecedented and, as we believe, wholly unconstitutional course of refusing to the Crown the levy of taxes needed for the public services, if it had not been for the efforts of the so-called Tariff Reformers, who have for the last six years been engaged in an active propaganda for a return to Protection. It was obvious that these people have felt, and, it is to be hoped, with good reason, that if the Budget of the Government were to become law, providing not only for the financial requirements of the present year, but for those of the next two or three years, their own alternative scheme of Protective Duties and the Taxation of Food would be indefinitely postponed and extinguished.

It was, therefore, at their instance, and by the mandate of their leader Mr. Chamberlain, who, though broken in health and, to the regret of all, never likely to appear again in public life, still directs, or is made use of to direct, the Tariff movement, that the Tory Party in the Lords was induced to commit itself to so revolutionary a course.

II.—THE CHAMBERLAIN SCHEME.

THE origin of the alternative Budget was Mr. Chamberlain's scheme, devised six years ago, modified and greatly extended of late in the direction of Protection by the Tariff

League. It proposed duties on all food and manufactures, with exceptions in favour of Colonial produce. Raw materials necessary for manufactures, and maize and bacon were to be free of duty.

The scheme was baited with the promise of Old-Age Pensions. It was also distinctly promised that a great part of the proceeds of the new taxes was to be devoted to the reduction of taxes pressing upon the labouring classes—namely, the tea and sugar duties and the tobacco duty. This was to be compensation for the increased cost of food, which it was then fully recognised would result from the food taxes.

It is not necessary to point out again in detail, as we did in 1904,* when commenting on the Tariff campaign of Mr. Chamberlain, his deliberate misdescription of the condition of the country before the adoption of Free Trade, and of the results of that great measure, or his habitual abuse of statistics, or the absurdity of his dismal jeremiads of the future of British trade and commerce. His audiences were not taken in by his statements of fact, or misled by his prophecies. They did not swallow the bait which he offered. By overwhelming majorities the constituencies in the General Election of 1906 rejected the scheme, and reaffirmed the principle of Free Trade. Nowhere was the victory more complete than in the great cities which he had addressed, and whose industries he had pronounced to be on the brink of ruin. His campaign was followed by a revival and extension of our export trade, such as the country had never before experienced, and which completely belied all his evil vaticinations.

In spite, however, of the adverse verdict of the electors in 1906, and of the depressing failure of the prophecies of ruin to our trade, the Tariff League continued its agita-

* "Fact *versus* Fiction." The Cobden Club's reply to Mr. Chamberlain 1904.

tion, evidently hoping that there would come again a period of bad trade, favourable to the growth of their noxious weeds. Immense sums of money were contributed by persons unwilling to allow their names to be made known, by manufacturers eager to create monopolies for their trades under Protection, and landowners hoping for the artificial raising of their rents. This was expended in the employment of paid agents to advocate the cause of Protection in every remote village of the country. Mock inquiries were also held by committees appointed by the Tariff League, composed of members pledged to their scheme. Witnesses favourable to it were examined, without any contradiction from those of opposite views. No single representative of the labouring classes was given an opportunity of testifying as to the effect of the proposed food taxes. No greater fraud was ever attempted on a credulous public than by these inquiries. As was to be expected, these one-sided committees reported in favour of the prearranged scheme of Protective duties.*

Meanwhile the ground was being cut from under the Tariff Reform League. What Mr. Chamberlain had promised as an accompaniment, or condition of his scheme, was more than effected by the Liberal Government, formed after the General Election of 1906, independently of any such scheme. The Sugar Duties were reduced by nearly two-thirds; the duty on tea was reduced to 5d. on the lb. Great relief was given to Income Tax payers, assessed at £2,000 a year and under, by reducing the rate to them by 3d. in the £, or from 1s. to 9d.

Lastly, in 1908, a scheme of Old Age Pensions was carried through Parliament, not of a contributory character—which would have given no relief to existing old

* The Cobden Club, in "Tariff Makers: Their Aims and Method," published early in 1909, dealt fully with these reports of the Tariff League.

people—but one securing to any person above the age of 70 a pension of 5s. a week, provided his income from other sources does not amount to more than £30 a year.

This has resulted in providing pensions to over 700,000 persons, at a cost for the current year of £8,000,000. It is one of the causes of the increased expenditure which the Budget under consideration provides for.

It has followed from the adoption of an Old-Age Pension scheme that the object which Mr. Chamberlain, in 1903, alleged he had mainly at heart, and without which he would never have embarked on his new policy of Protection, has already been achieved in a far more complete and popular form. It is also clear that his scheme of taxation, if now adopted, would do no more at best, in the first instance, than supply the existing deficiency in the revenue for the present year. Nothing also would remain from it for compensating the labouring people for the increased price of their food and other necessaries of life, by the remission of other taxes, such as the remaining tea and sugar duties; while in the future the receipts from it must continually diminish.

III.—THE TARIFF LEAGUE BUDGET.

THE scheme of import duties, on which the Tariff League appears to be now agreed, has been greatly extended beyond the original of its Birmingham leader.

The duties on food are, in the first instance, to be nearly the same, viz., 2s. per quarter on corn, 5 per cent. on meat, and up to 10 per cent. (in lieu of 5 per cent.) on dairy produce and other food imports. But only one-half of these duties, and not the whole of them, are to be remitted in the case of Colonial imports. For the first time, therefore, for sixty years duties will be imposed on Colonial

produce. This will necessarily involve the same duties on Indian products, and must lead to a corresponding concession to the Indian Government of the right to impose protective duties on British manufactures imported into India—a most deadly blow to the trade of Lancashire. It is very certain that this change will cause great dissatisfaction in the Colonies, and may lead to a reduction, rather than to an increase, of the preference now conceded by them to our manufactures.

This change has been forced on the Tariff League by the agriculturists. They have felt that if Colonial imports of corn, meat, etc., are to be admitted free of duty, the benefit to themselves of a rise in price from the duties on foreign produce will be a continually diminishing one, in proportion as Colonial produce is substituted for foreign imports. Under the same influence another important change has been made. The exemption from duty of maize, as the food of cattle, and of bacon, as the food of the labouring people, so much insisted on by Mr. Chamberlain, are to be abandoned. It is now said that he was mistaken in proposing these exemptions.

The duties on fully manufactured goods are not to be limited to the original 10 per cent., but are to be extended to 15 per cent. It is now made clear, for the first time, that partially manufactured goods, which are raw materials to a vast number of manufactures in this country, and which are essential for their maintenance in competition with those of foreign countries, enabling them to break down the barrier of protective duties in many directions, are to be subjected to import duties. Those on which little labour has been expended are to be subjected to duties of 5 per cent., and those on which more labour has been spent to 10 per cent. There are to be three scales of duties on each of these three classes.

Minimum duties are to be applied to Colonial products,

medium duties, somewhat higher, to all foreign manufactures, and maximum duties to imports from those of foreign countries which unduly penalise British manufactures—that is, the great bulk of protective countries. We need hardly point out the enormous complexity and confusion which will result from these three classes and three scales, and the immense difficulty of applying the principle of drawbacks in the case of exported manufactures, on the component parts of which import duties have been paid.

It is alleged that from 16 to 20 millions will be the amount of duties resulting from this scheme, and that the cost of collecting them will be only a quarter of a million. It must, however, be pointed out that whatever may be the amount of duties collected in the first instance under the scheme of the Tariff League,* it must necessarily be reduced in a very short time. The main objects alleged for the scheme are the encouragement of the import of Colonial produce, at the expense of foreign produce, and the substitution of home manufactured goods for foreign imported goods. To whatever extent these objects are attained the revenue from the scheme will be reduced. The reduction of duties from this cause will probably be not less than one-third of the estimated total, and may be one-half. There must be further considerable reductions due to drawbacks—the return of duty on exported manufactures. The void thus created must be filled up by further taxation; in all probability, by an increase of the food taxes. The scheme, therefore, contains within it the certain prospect of further developments in the same direction. The cost of collection under this complicated

* The details of this scheme have been taken from an article of the *Birmingham Daily Post* of December 7 of this year, evidently written with the authority of Mr. Chamberlain, and since confirmed by a speech of Mr. Austen Chamberlain as representing the present scheme of the Tariff League.

scheme has been estimated by the Board of Trade at three or four times the amount suggested by the Tariff League.

Evidence is not wanting that the duties thus proposed will not content the leaders of the movement, or its rank and file. Lord Ridley, the Chairman of the Tariff League, in addressing public meetings on its behalf, has held out expectations of much higher rates of duty to various industries of the districts.

Thus at Maidstone he promised concession to the unanimous demand of the Kentish hop growers of a duty of £2 per cwt. on imported hops, equal to more than 40 per cent. on their average value. To paper makers of the district he promised a duty of 20 per cent. The Reports, also, of the Committees of the Tariff Commission afford conclusive evidence that the proposed duties will not suffice for them. It is impossible to read these Reports and the speeches of leaders of the movement, the prophets of the new gospel of Protection, without coming to the conviction that, when once the barriers of Free Trade are broken down, the duties now proposed will be rapidly augmented. The same arguments now put forward for the first essay in Protection will again be trotted out for further increases. If it be true that import duties are not paid by the consumers in the country of import, but fall wholly or in great part on the foreigners who send them, why limit them to 5 or 10 per cent.? If maximum duties of 15 per cent., intended to force the hands of other Governments which treat us badly, fail, as they are certain to fail, why not increase them to 20, 30 and 50 per cent.? All experience of other countries shows that protective duties had their commencement in very low scales, and that these were continually increased, under the same selfish and corrupt influences which caused their first application, and with the result of always worsening the condition of

the labouring people for the benefit of producers and landowners.

IV.—THE EFFECT OF IMPORT DUTIES ON PRICES.

BEFORE going further into a comparison of the rival Budgets, it is essentially necessary to form a definite conclusion as to the incidence of import duties, and their effect on the prices of food and other necessaries of life.

Mr. Chamberlain, in the early days of his agitation as a Protectionist, in 1903, propounded the theory, new altogether to economists and statesmen, that such duties do not increase the prices of the imported articles and are not paid by the consumers in the country which imposes them, but are paid, wholly or in great part, by the foreign producers or merchants who are good enough to export them. "Tax the foreigners, and make them pay a toll for the privilege of trading with us," was his advice to the working people of this country, and became the battle-cry of his followers. It is impossible to conceive a more baseless assertion.

But if there is any grain of truth in the contention that by imposing duties on imported goods we could make the foreigners, who send the goods, pay any large portion of the duties on them, we should indeed be the most insensate of fools if we failed to avail ourselves of this method of raising money and of making our rivals pay for our "Dreadnoughts" or other expenditure. The whole contention is a baseless fiction, fit only for the "Horse Marines."

We maintain, with the utmost confidence, that no proposition is more emphatically and universally admitted by all economists of any authority in the world, with the rarest exception, than that all duties levied on imported food and other articles of necessity must raise

the prices of these articles in those countries, which do not produce a sufficiency of them for the wants of their people, by the amount of the duties, and generally by something more. It is true that in the case of articles not of necessity, but rather of luxury, the effect of an import duty, while raising prices, may be to check the demand for them, and that, as a result, the prices may tend to fall again, not to their former level, but to some point much above that, but not equal to the original price, plus the import duty. Subject to this exception, and to some few cases of very special character, which economists such as the late Mr. Mill and others have pointed out, it must be taken as universally true that import duties raise prices, as they are intended to do, by the amount of the duties, in the case of food and other necessaries of life.

This, which is the teaching of economists, is also the common opinion of men in all countries as the result of experience. The whole theory of Protection to native industries is founded on the belief and conviction that import duties will certainly have the effect of raising prices, in the interest of home producers. It need scarcely be pointed out that Mr. Chamberlain's scheme contained many admissions fatal to his new doctrine. The exemption from import duties of raw materials for our manufactures would have no meaning, and would be quite unnecessary, if it were not that prices of the manufactured articles would be increased in price, and would fatally hamper us in our export trade as compared with our rivals in trade. The proposed exemption from import duties of maize and bacon were admissions to the same effect. The universal practice of all countries, where protective import duties are levied, to allow repayment of the duties on articles manufactured out of raw materials, or partially manufactured articles, on which duty has been paid, is striking testimony to the same effect,

So far has this policy been carried that when, in 1902, a duty of only 1s. per quarter was imposed in this country on imported corn, it was provided that even this small duty should be refunded to the exporter of biscuits baked out of imported corn. In 1903, when the duty on corn was repealed, no less a sum than £390,000 was repaid by the Government to holders of imported corn in this country, on which duty had been paid, a conclusive recognition that the duty had not been paid by the foreigner.

It was further admitted by Mr. Ritchie, who was Chancellor of the Exchequer in 1903, when the corn duty was repealed, that even this small duty had raised the price of bread; and Mr. Balfour, who was Prime Minister at the time, justified the repeal of the duty on the ground, among others, that it had raised the price to farmers of feeding stuffs for their cattle by no less than £500,000, the amount of the duty paid on the maize, &c., used for this purpose. These opinions were the more important, as Lord St. Aldwyn, who was Chancellor of the Exchequer in 1902, when the corn duty was imposed, had expressed the confident opinion that so small a duty as 1s. per quarter would not increase the cost of bread to consumers. Later, however, after the repeal of the duty, in a speech at Manchester, he admitted that he had been mistaken in the above statement. "I found, he said, that in not a few cases the duty had the effect of giving an excuse to the bakers to raise the price of bread, and therefore I must confess that I believe that doubling that duty and also adding new duties upon meat and dairy produce must increase the cost of the food of the working classes." The main argument of the Tariff mongers in the course of their prolonged campaign for protective duties is also based on the above conclusion. In every page of the reports of the Tariff Commission the expectation is held out, and it is assumed by manufacturers and producers

that prices of their products will be increased by the proposed import duties.

There is, in fact, a vein of deliberate and calculated duplicity running through all the publications of the Tariff League and the speeches of its supporters and paid agents. With one voice they appeal to the individual interests of producers and manufacturers in their separate industries, promising that their products will be raised in price by the proposed import duties, and that their profits will be increased. With another voice, in order to disarm opposition to their scheme on the part of the general public, and especially of the labouring classes, they disclaim, with their tongues in their cheeks, that the effect of the duties will be to raise prices to consumers. Following the example of their chief, they have invented the theory that the hated foreigners will pay these duties.*

A necessary conclusion resulting from the admission that import duties raise the prices of imported articles, of the gravest importance from a fiscal point of view, is that they raise the prices not only of the imported articles, but also of the home-produced articles of the same kind. There cannot be two prices in the same market at the same time for articles of the same quality. It results that, when an import duty is levied on an article, raising the price of both the imported and home-produced article, the consumers—the general public—have to pay the increased

* An illustration of this duplicity is to be found in two leaflets issued by the Tariff League within a short time of one another. Leaflet No. 13 is headed "Food Taxes do not Raise Prices." Leaflet No. 22, headed "The Salvation of Ireland," runs as follows: "Mr. Chamberlain proposes to give a moderate protection to the staple articles which Ireland produces—corn, meat, and dairy produce—while at the same time reducing the duty on tea, sugar, and perhaps tobacco, which are articles of large consumption in Ireland. She will obtain a higher price for all she sells in the English market by being protected from the competition of America, Denmark, and France, and she will pay less for what she purchases, the duties being largely reduced."

price of both. This increased price of both is the real tax imposed on the consumers. But only that part of the tax which is levied on the imported article finds its way into the coffers of the State. The other part of the tax, the increased price of the home-produced article, does not go to the State, but into the pockets of the producers; and, in the case of agricultural produce, the greater part of it ultimately into the pockets of the landowners in the shape of increased rent. To illustrate this we may point out that we import food of all kinds (not including tea and sugar) to the value of about £200,000,000, and we produce food of all kinds in this country of about the same value. If we impose a duty, say of 5 per cent., on the imported food in order to raise a revenue of £10,000,000, we increase the price by this amount, not only of the two hundred millions of imported food, but also of the same amount of home-produced food. The increase of price of the whole is £20,000,000, and this forms the real tax on consumers. But only one-half of it is received by the State. The other £10,000,000 goes to the producers, and ultimately a large part of it to the landowners.

It is for this reason that, since the adoption of Free Trade, it has been an axiom of finance that, if we desire to impose indirect taxes and to make the consumers—that is, mainly the labouring classes—pay a contribution towards increased expenditure, we select for the purpose some article which we do not produce in this country, such as tea or sugar, with the object of securing to the State the whole of the increase of price caused by the duty. But for this there would be no greater reason for taxing sugar than corn or meat.

For the same reason in the case of spirits, which we produce in this country as well as import, we balance the duty on imports by an excise duty of the same amount on the home product. Equally when the Imperial Government

consented to the imposition by the Indian Government of duties on imported cotton manufactures to India, it insisted on the levy of an equivalent excise duty on Indian cotton manufactures, so as to avoid the protective effect of the duties, and the discouragement, if not destruction, of the British export trade of cotton tissues.

V.—EFFECT ON RENTS OF IMPORT DUTIES ON FOOD.

ANOTHER consequence resulting from the rise of price of corn and other agricultural products subject to import duties, which it is most important to bear in mind in this great controversy, is that rents of agricultural land are certain to rise in about the same proportion. If corn is permanently raised in price by 2s. per quarter, the rent of corn land will also rise. This is a matter of long-past experience. It is also recognised and affirmed by statute law. The Tithe Act of 1834, which provided for the commutation of tithe from a payment in kind to a money payment, laid down the principle that just in proportion as the prices of corn—namely, wheat, barley, and oats—should thenceforth rise or fall, so the money payment of tithe, which is part of the rent of land, was to rise or fall in the future. It follows from this that if the agricultural produce of this country is raised in price, rents of agricultural land are certain to follow suit, and to rise, in the same proportion, sooner or later—sooner, probably, in most cases, rather than later.

Nearly the whole of the agricultural land in England and Wales is let to tenants on yearly agreements, which enable the landowners, within a few months, to raise their rents whenever they think it reasonable to do so. There cannot be a doubt, therefore, that after the adoption of

a protective system such as that proposed by the Tariff League, raising duties of $7\frac{1}{2}$ per cent. on the average on imported food, many landlords will very soon raise their rents in the same proportion, and that all will do so before long. The scheme, therefore, means a bonus to landowners, in the shape of increased rent, of between three and four millions. This fact must be borne in mind in relation to the action of the House of Lords in rejecting the Budget, in the hope of substituting for it the tariff scheme, fraught with such enormous benefit to the class which alone they represent. Lord Rosebery and Lord Ridley, in the course of the debate on the Budget, called attention to the fact, based on the authority of the Domesday Book of a few years ago, that the members of the House of Lords own between them one-fifth of the land of the whole country. The tariff scheme therefore means an ultimate increase of their rents by about £750,000 a year.

VI.—COMPARATIVE INCIDENCE OF THE TWO BUDGETS.

(1) *Labourers.*

ON the assumption, which we have shown to be absolutely irrefutable, that import duties on food and other necessities of life raise the prices in the same proportion, the general body of consumers must pay these increased prices. Let us then consider the comparative incidence of the two Budgets on the various classes of the community, beginning with the labourers, who constitute at least three-fourths of them. We will in the first instance deal with the case of the agricultural labourers, who stand at one end of our social system, of which the landowners are at the opposite end.

The Budget of the Government imposes some, but a

very small, burden on the agricultural labourers of England and Wales. The only increased tax which will be felt by them is the tobacco duty. The increase of the spirit duty will scarcely touch them, for their habitual beverage is beer and not spirits, and the price of beer is not likely to be increased in rural districts by the increase of the licence duties.

The increased cost of tobacco to these labourers cannot be estimated at more than an average of 1d. per week. Those who do not indulge in this luxury will not pay the charge. Women will be free from it. Those on whom it will fall can free themselves from the charge by slightly reducing their consumption. In any case, the charge is not a large contribution towards the enormous benefit of Old-Age Pensions, which many of them will live to enjoy.

Let us now estimate what will be the additional charge to the agricultural labourer under the alternative Budget of the Tariff League. We will take the average wage at 16s. a week, of which 11s., at least, is expended on food, clothing, and other necessaries, which will be raised in price by the import duties, and the residue on rent, fuel, sugar, tea, tobacco and beer. We also estimate that the average duties on articles required by the labourer will be $7\frac{1}{2}$ per cent. on their value, raising their price in this proportion. It follows that the charge to the labourer will be at least $7\frac{1}{2}$ per cent. on 11s. a week, or about 10d. a week, equal to 13d. in the £ on his annual wage earning, an enormously heavy burden, ten times more than that under the Budget of the Government. To the labourers in towns, with an average wage of 20s. a week, or to the artisan with a wage of 30s. a week, the charge, under the Budget of the Government, will be slightly increased in proportion to the greater consumption of spirits. It may be estimated at $1\frac{1}{2}$ d. per week to the former, and 2d. per week to the latter, but the proportion to their wages remains about the

same. On the other hand, the charge under the Tariff scheme will be in about the same proportion as in the case of the agricultural labourer, or ten times greater than under the Budget of the Government.

It is said by the Tariff Leaguers that the labourers will gain by increased employment. So far as agricultural labourers are concerned, this cannot be the case, for the duties proposed on corn of 2s. per quarter will not induce any greater growth of corn in this country, or the ploughing up of any grass land for the purpose.* It is generally admitted that there must be a very large increase of the price of wheat, of not less than 12s. a quarter, before any inducement will be given in this direction. As regards artisans, we are quite unable to admit that the substitution in certain trades of home manufactured goods, for foreign imported goods, will add to the general employment of the whole country. The foreign imported manufactures are not paid for in money, but indirectly by the export of other goods, on the production of which other labour has been employed in this country. The effect of the change, at best, will be merely to cause a transference of labour from one kind of work to another, and of capital from the more profitable to the less remunerative industries. What one class of workmen gain in increased employment will be balanced by losses to another class. If any experience is to be drawn from the past, the scheme will mean less work, and not more. Wages will not be increased, and there will be nothing to compensate the labourers and artisans for their increased cost of living. This, in fact, means lower wages.

(2) *Small Tradesmen, Clerks, etc.*

The next class in the community to that of labourers is the vast number of small tradesmen and professional

* Mr. Austen Chamberlain in a recent speech has admitted this.

men, clerks and salaried officers, and persons living on small incomes from investments or on annuities of £160 a year or less.

Those who are in this class are also very lightly burdened by new taxes, under the Budget of the Government. They do not now pay income tax, if their total income does not exceed £160 a year. They will not have to pay the 2d. to be added to the income tax. They will pay the increase for their tobacco and spirits in proportion to their consumption. It may be assumed that this will not average more than 3d. per week.

Under the Tariff League scheme they will pay $7\frac{1}{2}$ per cent. increase on the cost of their food, clothing, and other necessaries. To the head of a family with an income of £100 a year, the expenditure of this kind may be estimated at £60 a year. The increased cost to them, therefore, will be £4 11s., equal to an income tax of 11d. in the £ on their gross income.

The small tradesmen, who make their profits by selling their goods to labouring people, especially those in villages, will further suffer under the Tariff scheme from the reduced purchasing power of their customers, the labouring people, who, in consequence of the rise in price of food, will be compelled to curtail their other expenditure.

(3) *Tradesmen, professional men, and those in receipt of salaries with earned incomes of from £160 a year to £3,000 a year.*

Persons in this class will contribute, under the Budget, only to the extent of the increased price of the tobacco and spirits which they may consume, and by the additional 2d. for income tax on the interest of invested money.

They will not pay this additional income tax on their earned income unless it exceeds £3,000 a year. This class has already benefited from the reduction of income tax

under the present Government. They are charged 3d. in the £ less than persons with incomes above £2,000 a year.

Under the Budget scheme, those of this class, with incomes of £500 a year and under, who have children under the age of 16, will also have the benefit of a deduction from the assessment of the income tax now payable by them of £10 for each child, with the income tax at 9d. in the £. This means a reduced payment of 7s. 6d. for each child, a very important matter for those with very small incomes. The total cost of this relief under the Budget is estimated at not less than £600,000 a year.

Under the Tariff League scheme persons in this class will have to pay the increased cost of food and other necessaries of life for themselves, their families, and their servants—if any. It may be confidently estimated that the proportion thus spent on articles of necessity will be lessened as the annual income rises in amount. For an income of £100 we have estimated this expenditure at £60. For £160 a year we think it may be taken at £80, at which the increased cost would be about £6 a year, or 9d. in the £ on the gross income. For an income of £1,000 a year we may assume the expenditure on food, etc., at £200 a year, and the increased cost at £16 10s., or about 4d. in the £; and for an income of £5,000 a year, £600, and the charge £45, or 2d. in the £.

(4) *Persons with incomes from investments other than agricultural land from £160 to £3,000 a year.*

Those in this class will be called upon under the Budget to pay the additional 2d. in the £ on the income tax, subject to some graduated reduction on their aggregate income, if not over £700 a year. They will also pay the increased duty of their tobacco and spirits. Where the income is £2,000 a year the 2d. additional will be £16 13s. Together these additions of taxation will not

equal the reduction granted last year to incomes of £2,000 and under of 3d. in the £ on the income tax.

Under the Tariff scheme persons in this class will be treated precisely in the same manner as those in Class 3 already dealt with.

(5) *Persons with incomes from £3,000 to £5,000 a year.*

Those in this class will be charged under the Budget with the additional 2d. in the £ income tax, whether their incomes be earned or unearned. They will pay £25 on an income of £3,000 a year, and £41 on that of £5,000 a year. They will not pay the super-tax. They will pay the increased duty on their tobacco and spirits.

Under the Tariff scheme persons with incomes of £3,000 a year may be expected to pay in the increased cost of their food, etc., about £31, or 2½d. in the £ on their income; and those with £5,000 a year 2d. in the £, or £45.

(6) *Persons other than owners of agricultural land with incomes over £5,000 a year.*

It is not till we come to persons with incomes over £5,000 a year that the increased burdens imposed by the Budget become more serious. The super-tax of 6d. in the £ then begins to tell, in respect of the excess of their income over £3,000 a year. They will also pay the additional 2d. on their total incomes.

Thus persons with incomes just over £5,000 a year will pay £50 towards the super-tax and £41 for the 2d. income tax, or £91, equal to 4½d. in the £—not a very serious charge to them.

Those with incomes of £10,000 a year will pay super-tax on £7,000, or £175, and £83 on the 2d. income tax—a total of £255, or about 6d. in the £. The maximum increased charge for income tax to persons with higher incomes will be just under 8d. in the £.

Under the Tariff scheme they will pay only the increased cost of the food, etc., of their households.

(7) *The Death Duties.*

The increase of the estate and settlement duties under the Budget scheme of the Government begins to tell on the deaths of persons in the last three classes. No increase is proposed in the case of estates valued at £5,000 or under. On estates from £5,000 to £10,000, not under settlement, the increase is 1 per cent. on the value of the property, and for estates of greater value there is an ascending scale till the maximum is reached on estates valued at over £1,000,000, when an additional 7 per cent. will be charged, making a total of 15 per cent. The increase of duty charged on property under settlement will be 1 per cent.

(8) *Owners of agricultural land.*

We find it necessary to deal separately with owners of agricultural land. It is persistently complained that they will be very severely taxed under the Budget of the Government. This is the reverse of the fact. They will be most leniently dealt with; at all events, those with net incomes up to £5,000 a year. Agricultural land is not to be charged with increment duty or with undeveloped land tax.

We may assume, with confidence, that owners of agricultural land only receive, on the average, one-half of their gross rental. Of the remainder, one-half (or a quarter of the gross income) is expended, as a rule, in maintaining the estate, repairing cottages, etc., and the other half goes to meet the interest on mortgages or family charges.

The landowner, therefore, with a gross income of £10,000 a year, and a net income of £5,000 a year, will not have to pay the super-tax. He will pay the additional 2d. on the income tax. On the other hand he will have

the benefit of Mr. Lloyd George's great concession made in the discussion on the Budget, of an abatement from the existing income tax, in respect of another one-eighth of his gross income for maintenance and repairs on his estate. This, at the present rate of the income tax of 1s. in the £, will exceed the 2d. increase of the tax by more than 50 per cent. The landowner, therefore, will gain and not lose by the Budget. Even if we take into account the increase of the settlement duty of 1 per cent. (on the supposition that the estate is in family settlement, as is usually the case), and assume that the owner will insure his life against this, the net charge on the landowner, of an average age of 50, will be very small—not more than £30 a year on a rental of £5,000 a year.

What will be the position of the landowner with a gross rental of £10,000 a year and a net income of £5,000 a year under the Tariff scheme? He will be relieved of any direct taxation, of the increased income tax and super-tax, and of the increased death duties. He will have to pay the increased cost of food, etc., for his household, which may be estimated at about £45 a year. On the other hand, he will certainly gain, sooner or later, by the increase of his rents, consequent on the rise in price of agricultural produce. This, at the rate of $7\frac{1}{2}$ per cent. will be a corresponding rise not of his net income, but of his gross rents, of £750 a year. His net gain, therefore, will be over £700 a year, equal to 14 per cent. on his income.

These comparisons hold good for all landowners with net incomes from rents of from £700 a year to £5,000 a year.

Landowners with net incomes above £5,000 a year will be worse off under the Budget of the Government by the super-tax of 6d. in the £, after deducting £3,000. Thus the owner of land with a gross rental of £20,000 a

year and net income of £10,000 a year will be charged under the Budget with £258 a year. On the other hand, under the Tariff scheme, his gross rent will be increased by £1,500 a year, and the only charge against him then will be £45, additional cost of the food of his household.

The number of landowners in this country with a gross rental of £10,000 a year is very limited. It was said by Mr. Pitt, in days when rents were higher than they now are, that a landowner with a rental of £10,000 a year was entitled to claim a peerage from his political leader. This principle of selection has been largely acted upon during the last 150 years by both political parties, with the result that of about 400 owners of agricultural land, with rentals of £10,000 a year, and over, 300 are to be found in the House of Lords.

The 350 Peers who voted against the Budget own between them one-seventh of the whole area and rental of the land of the United Kingdom. This gives the very high average of 30,000 acres and £20,000 a year apiece. It appears, then, that if the result of their recent action should be to defeat the Budget and to substitute for it that of the Tariff League, they will, on the above basis, be relieved on the average of a charge of £258 a year, and will gain in increased rent, sooner or later, an average of £1,500, subject only to the increased cost of food, etc.

It is not in human nature that men, however honest in intention, should not be swayed by their personal interests of such magnitude, and certainly no one in his senses would leave to a second chamber thus constituted any voice in determining which of the two Budgets, above described, should prevail.

VIII.—CONCLUSION.

LOOKING broadly at the two competing Budgets, it will be seen how absolutely opposed they are in principle and

in results. The Budget of the Government proposes to lay the lightest burden on the labouring population, and upon tradesmen, clerks and others with small incomes. There will be no increase in the cost of their food or other necessaries of life. Their luxuries only will be slightly taxed. The burdens are increased by an ascending scale to persons of larger means. The super-tax does not come in till incomes of over £5,000 a year are reached. The charges on millionaires and on their estates after death will be increased, but not to an unjust extent, having regard to the immense value of the protection which they receive from the State. The alternative scheme of the Tariff mongers is based on exactly the opposite principle. It will put the whole burden of increased taxation on the consumer. It will tax food and all other necessaries of life. The taxation will fall heaviest on the lowest class of labourers. It will be reduced to other classes in proportion as their expenditure on food, &c., becomes less to their total incomes* The wealthier classes will be free altogether, so far as new taxation is proposed, from direct charges. The scheme will result, sooner or later, in an enormous boon to landowners, in the shape of an increase of their rents in proportion to the rise in price of food.

We have not, on the present occasion, dealt with the many other grave evils and perils, which the scheme of protective duties will entail, its disastrous effects on our trade and commerce, the corruption which is certain to be introduced into our representative institutions. We have dealt only with its fiscal consequences and its inequality of incidence on different classes.

The reasons which induced the electorate to reject the scheme at the General Election four years ago remain in much greater force at the present time. It is not now

* A table in the Appendix shows the inequality of treatment of small and large incomes.

pretended that the burdens, which will be imposed on the labouring classes by the increased cost of their food, can be compensated out of the revenue to be obtained from the scheme. It is, therefore, in our opinion, a scheme for mulcting the poor for the immunity of the rich and the benefit of landowners.

APPENDIX

TABLE, showing the effect under the Tariff scheme of the increased price of food and other necessaries in the increased expenditure on them, at various rates of total Income, from £50 a year to £10,000, and the equivalent charge on Income Tax per pennies in the £.

The increased price of food, &c., is estimated at 7½ per cent.

Yearly Total Income.	Estimated Expenditure on Food, &c.	Increased Price paid for Food, &c.	Equivalent Charge caused by Increased Price of Food, &c., in Pennies in the £ on Total Income.
£	£	£ s.	d.
50	35	2 12	13
100	60	4 10	11
200	100	7 10	9
300	130	9 7	7½
500	150	11 5	5½
1,000	200	15 0	3¾
5,000	600	45 0	2
10,000	800	60 0	1½

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